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Franchise Tax Board

SUMMARY ANALYSIS OF AMENDED BILL

Author: Olberg Analyst: Roger Lackey Bill Number: AB 1494

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 05-20-98

Attorney: Doug Bramhall Sponsor:

SUBJECT: Armed Forces Service Credit

_____ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _________.

__X__ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

_____ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _________.

_____ FURTHER AMENDMENTS NECESSARY.

_____ DEPARTMENT POSITION CHANGED TO ________________________.

__X__ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED May 13, 1998, STILL APPLIES.

_____ OTHER - See comments below.

SUMMARY OF BILL

This bill would reinstate the prior Military Service Income Credit that expired and was last available for the 1991 taxable year. The credit would be equal to 4% of the total amount of eligible income received by a qualifying taxpayer during the taxable year to a maximum of $40.

SUMMARY OF AMENDMENT

The May 20, 1998, amendment increased the adjusted gross income level for a "qualifying taxpayer" from $27,000 to $37,000. As a result, the policy consideration provided in the department's analysis of AB 1494 as amended May 13, 1998, is resolved. The new revenue estimate and the remaining technical consideration and its amendments are provided below.

Except for the above discussion, the department's analysis of AB 1494 as amended May 13, 1998, still applies.

Technical Considerations

The language of the bill would describe "eligible income" as salary, wages, bonuses, allowances and other compensations received by an individual for his or her services on extended active duty or on other than extended active duty as a member of the Armed Forces of the United States. Since compensation for extended active duty and compensation for other than extended active duty are both considered "eligible income," it would seem redundant to define each in a separate paragraph of the bill. As a result, Amendments 1, 2, and 3 are provided to eliminate this redundancy.

Board Position:			Department/Legislative Director	Date
__X__ S	________ NA	________ NP		
________ SA	________ O	________ NAR		
________ N	________ OUA	________ PENDING	Johnnie Lou Rosas	6/11/98

Tax Revenue Estimate

Based on the data and assumptions discussed below, the fiscal impact from this military credit is estimated to be as follows:

Estimated Revenue Impact of **AB 1494** As Amended May 20, 1998 Taxable Years After 12/31/1998 (In $Millions)			
Fiscal Years	1998/99	1999/00	2000/01
Revenue Impact (Rounded)	**(minor)**	**(3)**	**(3)**

Note: (minor) means a loss less than $500,000

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

Revenue Discussion

The revenue impact would depend on the amount of qualified credit claims in any given year applied against available tax liabilities.

According to departmental data for the prior credit which ended in 1992, there were fewer than 50,000 military credit claims for the 1991 tax year. Due to a reduction of U.S. Armed Forces during the last several years and the AGI cut-off, the number of military credit claims under the $37,000 income limit would be about 45,000 beginning in 1999. Based on tax return information for all taxable filers, a higher eligibility level ($37,000 of income per qualified individual) would increase estimates over prior versions by approximately one-half, from $2 million to $3 million annually.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1494
As Amended May 20, 1998

AMENDMENT 1

On page 2, line 16, strikeout "on extended active duty".

AMENDMENT 2

On page 2, line 18, after "thereof." strikeout "For the purposes of this" and lines 19 to 22.

AMENDMENT 3

On pages 2, strikeout lines 28 to 32.

@@@@**Note TO LEGISLATIVE COUNSEL**- Renumber remaining paragraphs (4) and (5), and references therein to paragraphs (3) and (4), respectively.